

## **Closeout Report**

### **USAID/NICARAGUA Special Objective Hurricane Mitch Reconstruction Program**

#### **EXECUTIVE SUMMARY**

##### **Background**

Hurricane Mitch was one of the worst natural disasters in Nicaragua's history. Over 3,000 people lost their lives, with the most tragic loss occurring in Posoltega where some 2,000 died in a huge landslide. About 870,000 people, or 18% of the total population, were seriously affected by the storm. The most damaging effect of this hurricane was to essential infrastructure in health, education, transportation and productive sectors. The productive sector was hit particularly hard with highest losses occurring in the poorest communities of Nicaragua. Total damages were estimated at US\$1.5 billion --70% of Nicaragua's 1998 Gross Domestic Product.

The United States Government response through USAID/Nicaragua was immediate providing \$22 million in emergency humanitarian and food assistance. In addition, the Mission reprogrammed \$8 million from regular on-going programs to jump-start reconstruction activities in critical areas in public health, agriculture and micro-finance prior to the passage of the supplemental funding for reconstruction in May 1999.

This report summarizes how more than \$103 million in U.S. government reconstruction assistance was successfully channeled and managed by USAID/Nicaragua. Another \$12 million of Mitch-funded activities executed by ten USG agencies were also coordinated by USAID. With nearly all USAID funds fully expended (99%), targets were met and in most cases surpassed. Many valuable lessons were learned on how to successfully implement a massive reconstruction program in a short period of time under difficult conditions.

##### **Program Results and Achievements**

USAID/Nicaragua's Hurricane Mitch Reconstruction and Recovery Program fully accomplished its main objective of helping to restore the living conditions of the population most affected by Hurricane Mitch. The Mitch Program reached a greater number of beneficiaries than expected, exceeded the targets set for program outputs and made an economic impact. A recent World Bank assessment of poverty in Nicaragua concluded that: "*The most important factors explaining poverty reduction between 1998 and 2001 seem to have been important contributions from the post-Mitch reconstruction efforts*". The United States was by far the largest bilateral donor financing reconstruction efforts during the post-Mitch period when the poverty index for Nicaragua declined about 2.2%.

Highlights of the Reconstruction Program accomplishments are:

1. With 99.2% of budgeted funds expended, all programmed activities were implemented on time, surpassing most of targets, and with high quality standards.
2. More than 250,000 households, or more than twice the target, were reached by USG assistance. Beneficiaries were some of the poorest populations and the most affected by Hurricane Mitch.
3. Transparent and accountable use of all USAID reconstruction funds was confirmed by careful and continuous monitoring that included more than 90 audits and evaluations. The Mission had an excellent record in being the first to identify problems and bring them to the attention of the auditors. There were no open GAO or IG audit recommendations at the end of the program.
4. Some of the more notable outputs of the Reconstruction Program were: a) economic livelihood restored to more than 100,000 farmers, laborers and micro-entrepreneurs in rural areas affected by Hurricane Mitch; b) community and household level health education provided to more than 420,000 women, three quarters of whom are of reproductive age; c) need for water and sanitation met for approximately 200,000 persons in 250 rural communities; d) vulnerability to flooding and other natural disasters reduced in 130 communities benefiting more than 20,000 households; and e) more than 1,500 kms of tertiary roads improved or rehabilitated, benefiting more than 300,000 people living in 980 communities.

### **Program Implementation and Management**

USAID/Nicaragua implemented its Hurricane Mitch Reconstruction and Recovery Program in all ten departments directly affected by Hurricane Mitch, concentrating efforts in the most needy communities and on the poorest populations in those departments. Most of the implementing partners selected were skilled in rural community-based projects, and those few partners that were new to Nicaragua, did a good job of contracting staff with the appropriate expertise needed for the program.

USAID/Washington and the Mission committed to a fast-track implementation calendar for the Reconstruction Program. Quarterly expenditure targets were estimated at the beginning of the program to assure all activities would be completed by December 31, 2001 as promised to Congress. The Mission was successful in meeting all targets through sustained and extraordinary efforts.

Due to the massive reconstruction needs confronting Nicaragua, and the difficulty of guaranteeing that the GON could maintain strict accountability and management of reconstruction funds, the Mission made an early decision to channel most of the supplemental funding through non-governmental organizations and direct contracts. This proved to be a wise decision for assuring that our assistance would be timely and

effective in helping reconstruct Nicaragua while other donors delayed disbursements until they could settle questions of accountability.

The Hurricane Mitch Reconstruction Program was subject to intense scrutiny by multiple and overlapping program and financial audits. USAID/Nicaragua concluded its \$103.6 million program with no outstanding IG or GAO recommendations.

The participation of twelve other USG agencies and departments implementing reconstruction activities in Nicaragua was a unique feature of the USG response to Hurricane Mitch. Not all the other USG agencies had experience implementing projects overseas, which led to a heavy reliance on USAID help for logistical support and program coordination.

### **Key Lessons Learned**

- Program designs based on previous experience, knowledge of the country, and tailored to the disaster situation are the most efficient and practical. The Mission studied its past history of successful development projects and looked at where USAID as a whole had proven designs that could be adapted rapidly to the Mitch situation, such as the case of water and sanitation. We assessed our own in-house technical capacity and then sought outside help to complement Mission expertise in designing activities that were not currently in our portfolio. We took existing activities and in some cases expanded geographical coverage to include Mitch-affected areas, and in other cases, focussed activities on the most affected communities. The Mission adapted our experience, expertise, and proven designs to cover specific gaps in reconstruction needs after consulting with other donors about their plans for assistance to Nicaragua. For example, the multilateral donors and the Spanish and Japanese governments announced they would be working to restore major highways, bridges, and other large infrastructure where they had long experience. Our short time frame precluded large infrastructure projects. Other bilateral donors indicated they were going to support housing and water systems for medium and large municipalities. Thus USAID identified its niche among all the critical needs facing Nicaragua after Hurricane Mitch.
- **Putting quality first was even more important than running against the expenditure clock.** USAID/Nicaragua succeeded in delivering high quality results within the desired timeframe and despite limited human resources. Under intensive auditing and evaluating procedures, the Reconstruction Program was implemented with transparency, financial propriety with full accountability, and proven results. USAID/Nicaragua demonstrated that it is possible to implement a quality large-scale reconstruction program and achieve optimum results, even surpassing targets, under difficult conditions in a short 30-month timeframe.
- **Choose reputable and experienced partners from among the most qualified PVOs and NGOs.** The Mission took advantage of the presence of existing partners in the Hurricane Mitch affected areas, including ADRA, Catholic Relief Services,

World Relief Corp., PADCO, AED, PCI, Save the Children, and CLUSA. Within four months of receiving the Mitch funding, most partners were already implementing reconstruction activities. With their broad expertise in development activities in Nicaragua, partners quickly organized and began responding to the reconstruction needs of the country.

- **Flexible and effective contracting instruments serve as a framework for efficient and transparent program implementation.** The Mission's decision to accelerate start-up by using existing mechanisms to obligate funds and implementing activities was a good one. Even before the official announcement of the approval of the CADERF supplemental funds, current partners were encouraged to submit proposals for projects under the Hurricane Mitch Program. As a result, within two months of receiving CADERF budget allocations, the Mission had approved many grant proposals and partners began implementing activities immediately under pre-award letters.
- **A responsive and capable contracting office is necessary to effectively implement a reconstruction program.** A proactive contracting office was a major asset for implementing the reconstruction program. However, the reconstruction programs lost momentum when the Contracts and Grant officer was transferred and the Mission had to depend on the Contracting Officer in Honduras. Because the Contracting Officer was located in Honduras, the site of the largest Mitch program, and was tasked with serving Nicaragua, with the second largest program, it was impossible to cover all the demands for services.
- **A Reconstruction Office fully dedicated to reconstruction efforts, working in tandem with the technical offices, was a valuable investment.** The Mission recognized that a reconstruction program of this magnitude and level of effort would require a separate unit fully dedicated to this program. The Mission organized the Reconstruction Office (RO) to coordinate, monitor and report on the Mitch Reconstruction Program, under direct supervision of the Deputy Mission Director who was the Special Objective team leader.
- **It takes a hard working and highly experienced staff to rise to the challenge of mounting a program three times the size of the regular development program.** The Mission staff took the challenge and met all benchmarks for implementing a large and complex reconstruction program in a short period of time. The undisputed evidence gathered by auditors and evaluators alike confirmed the dedication and efficiency of the entire Mission staff in performing a range of functions and services beyond those of conventional management and administration under a regular program. This was a key factor for converting a high-risk program into a major success story.
- **Practical hands-on management is a vital tool for implementing a major reconstruction program.** The Mission Director clearly instructed and gave full support for all Mission staff to dedicate their time and efforts to hands-on

management of the reconstruction activities to assure the quality of our activities and adherence to deadlines. Close management required a large amount of support staff to keep the vehicles and people moving out to the field where Mission staff could ground-truth designs, make adjustments, and compared written progress reports with on-site monitoring of actual results.

- **A productive relationship with implementing partners requires close monitoring of activities, permanent communication, and accurate reporting.** Mission management and all staff were clearly committed to a close and proactive relationship with implementing partners as an essential factor for effective implementation of the Reconstruction Program. Implementing partners for the most part valued the close collaboration and partnership with the Mission staff. This operating style meant that problems in design and implementation were picked up early enough to resolve them promptly. Mission staff dedicated a large portion of their time to field visits, often in very difficult to access areas, for the purpose of monitoring program performance and verifying the pace of implementation.
- **A huge logistical capacity is needed to cover transportation and communication requirements.** One of the most serious effects of Hurricane Mitch was the unprecedented damage to transport infrastructure and public communications systems that made it incredible difficult to carry out reconstruction activities in very isolated affected areas. USAID/Nicaragua and partners employed mules, vehicles, boats and planes to reach many program sites, under extremely difficult conditions with no incidents of serious injury or loss of program property.
- **Doing business despite health hazards, potential violence, and dangerous transportation conditions was a challenge.** Half of Nicaragua's territory is very isolated with no communications to speak of, and rural roads in the rest of the country are very precarious. Nicaraguan rural areas present health hazards due to the lack of potable water and poor sanitation conditions. Despite these hazardous conditions, the Reconstruction Program suffered no major incidents due to the careful planning of implementation and monitoring activities.

On a final note, the success of the program ultimately depended on the people who committed to this huge undertaking. Special recognition should be given to the USAID team, all who worked under tremendous pressure for more than three years, beginning October 1998 with the emergency response, and running through the end of the reconstruction program in December 2001.

## SECTION A. BACKGROUND

Rains from Hurricane Mitch caused widespread destruction and the loss of over 3,000 lives in Nicaragua during the last days of October 1998. It was one of the worst disasters in Nicaragua's history and more than 870,000 people were severely affected by the flooding which damaged crops and agricultural land, infrastructure, water and sewer systems, and interrupted social services. More than 400 health posts and 90 health centers were damaged, and over 500 primary schools suffered structural damages. The productive sector was hit particularly hard with highest losses occurring in the poorest communities. An estimated 11,550 hectares of agricultural land were destroyed, with 308,000 hectares (25% of total cropland) seriously damaged, and more than 60% of the year's crop lost. Total damages were estimated at US\$1.5 billion or about 70% of Nicaragua's Gross Domestic Product in 1998.

The United States Government response through USAID/Nicaragua was immediate providing \$22 million in emergency humanitarian and food assistance. In addition, the Mission reprogrammed \$8 million from regular on-going programs to jump-start reconstruction activities in critical areas in public health, agriculture and micro-finance prior to the passage of the supplemental funding for reconstruction in May 1999.

Based on disaster assessments, pledges from other donors and an analysis of USAID's capabilities, USAID/Nicaragua designed a hurricane reconstruction program captured in its Special Objective *Rapid Reconstruction and Sustainable Recovery in Mitch-Affected Areas* (520-005) approved in Washington in April 1999. Reconstruction activities focussed on five principal sectors: public health, economic reactivation, disaster mitigation and preparedness, schools, and local government. The geographic focus was Nicaragua's north and northwestern departments, and along the Rio Coco in the Atlantic Region. The specific intermediate results expected to be achieved were:

- Health Status of Mitch-affected families maintained or improved
- Economic livelihood of farmers, micro-entrepreneurs, and laborers in Mitch-affected areas restored
- Vulnerability to flooding and other natural disasters mitigated
- Conditions restored for primary students to learn
- Basic infrastructure in selected Mitch-affected municipalities repaired

In addition to these Intermediate Results, the Mission sought to achieve a cross-cutting result under the Special Objective:

- Donor funds channeled through the Government of Nicaragua managed honestly and effectively.

The short time frame for implementing the Reconstruction Program had implications for how the Mission would measure results. Because permanent impact cannot be gauged over a 30- month period, the Mission focussed on measuring performance outputs that could reasonably be expected to be achieved in the time allowed.

The total cost of the Special Objective was \$103.6 million in funds managed by USAID which included \$94.1 million of CADERF supplemental funds, \$5 million of special supplemental Child Survival funds, and \$4.5 million of PL 480 Title II resources. Other U.S. Government agencies and departments implemented reconstruction activities in Nicaragua that totaled approximately \$12 million and were closely coordinated with USAID. In all, the international donor community pledged an estimated \$1.2 billion to assist Nicaragua in its recovery. However, no other donor disbursed as much and as fast as the United States. Some of the promised funds from other donors were actually reprogrammed from on-going projects rather than adding a fresh injection of resources. Other donor funds were delayed while donors sought to assure funds accountability and transparency. Many still have not been disbursed to date.

USAID worked through local Non-Governmental Organizations (NGOs), U.S. Private Voluntary Organizations (PVOs), umbrella organizations, and institutional contractors, and coordinated with Government of Nicaragua entities. The Mission coordinated with nine other USG agencies and departments that received separate CADERF funding for activities in Nicaragua. The Mission signed PASAs with USACE, NOAA and USDA for agriculture rehabilitation, environmental protection and disaster mitigation activities.

Annex A.1 provides the original Results Framework for the Special Objective (SpO). Annex A.2 contains a final resource table which lists principal partners with direct grants or contracts, and a detailed SpO budget breakdown.

## **SECTION B. PROGRAM RESULTS AND ACHIEVEMENTS**

USAID/Nicaragua implemented the Reconstruction Program as planned and on schedule. Despite the many challenges of doing rural reconstruction in Nicaragua, the program surpassed most of its targets with an efficient use of budgeted funds. The key results of the Reconstruction Program were: 1) With 99.3% of budgeted funds expended, all programmed projects and activities were implemented on time with high quality standards. 2) A transparent and accountable use of all the reconstruction funds was confirmed by careful and continuous monitoring including more than 90 financial audits as well as GAO and IG program evaluations. 3) The broad-based implementation of the program in rural areas benefited the most needy communities in the areas most affected by Hurricane Mitch.

Some of the more notable outputs of the Reconstruction Program were: a) economic livelihood restored to more than 100,000 farmers, laborers and micro-entrepreneurs in rural areas affected by Hurricane Mitch; b) community and household level health education provided to more than 420,000 women, three quarters of whom are of reproductive age; c) need for water and sanitation met for approximately 200,000 persons in 250 rural communities; d) vulnerability to flooding and other natural disasters reduced in 130 communities benefiting more than 20,000 households; and e) more than 1,500 kms of tertiary roads improved or rehabilitated, benefiting more than 300,000 people living in 980 communities.

The results framework remained basically unchanged during the life of the SpO with only minor fine-tuning of lower level results and very few performance indicators and targets. Mission quarterly progress reports submitted to LAC contained a summary of activities used to achieve the SpO and the major outputs in each sector described in text and presented graphically. The last activity to be approved was in support of the Mission's crosscutting objective to contribute to increased accountability and transparency in the Government of Nicaragua's management of reconstruction funds. To that end, USAIS/Nicaragua obligated and disbursed \$1 million to support the Inter-American Development Bank project to establish systems to increase efficiency and transparency in the GON's public procurement systems. USAID's contribution supports the establishment of an Inspectorate to monitor all procurement and contracting actions by the government including donor funds and national treasury funds.

The question of long-term sustainability of impact of the reconstruction activities was debated in the Mission during the design phase and continued through implementation. Our partners were asked to design programs that would terminate by December 31, 2001, the date USAID committed to Congress that supplemental funds would be expended. The emphasis on spending and quick results meant that sustainability was not the highest priority. The Mission understood that the supplemental funds were not to be used for regular development programs since Congress wanted to see immediate tangible outputs. Whenever possible, the Mission approved designs that could achieve some measure of sustainability but not at the expense of slowing implementation of the reconstruction programs. In most cases, the Mission chose projects that would be turned over to the communities at the end of two years leaving the responsibility for sustaining those projects in the hands of the beneficiaries. Thus training components were built into most project designs, to train beneficiaries on how to maintain and sustain the investments made under Mitch.

Despite the debate on the sustainability of the Mitch program results, USAID reconstruction efforts can be credited in part for a reduction in the poverty index for Nicaragua from 1999 to 2001. The World Bank concluded that the 2.2% decline in poverty during that period resulted from the important contributions from post-Mitch reconstruction efforts. The USG expended more funds more rapidly than any other donor during the period, exceeding even the multilateral donors' implementation rates.

See separate USAID/Nicaragua's December 2001 quarterly report on the Supplemental Reconstruction Program which gives more details on activities in each of the five sectors where USAID/Nicaragua focused its reconstruction efforts and the major outputs for each of the areas.

## **SECTION C. PROGRAM IMPLEMENTATION AND MANAGEMENT**

With the devastating flooding that accompanied Hurricane Mitch in late October 1998, the United States Government responded immediately with emergency humanitarian and food assistance which totaled \$22 million in the seven months following Mitch. The



Mission reprogrammed another \$8 million from regular on-going programs before the CADERF supplemental funding for reconstruction was approved in May 1999.

During this initial period, the Mission technical offices each worked effectively in its own sector to oversee designs, review proposals, draft scopes of work, monitor implementation, track expenditures and meet reporting requirements. In the summer of 1999, the Mission decided to hire a Reconstruction Coordinator and create a small office that would help bring all the diverse elements of the program together, and to support the Deputy Mission Director in his role as SpO Team Leader.

Due to delays in recruiting a USPSC, the Reconstruction Office was not established until December 1999. Once functioning, the Reconstruction Office took a lead role in performance monitoring in the field, coordinating among the technical officers who retained direct management over reconstruction activities in their sectors, and working as the principal liaison with the GAO, RIG, and other auditors. In a limited number of cases, the Reconstruction Coordinator served as a troubleshooter for specific activities with high profile implementation problems.

The USG experimented with providing a comprehensive program to respond to Hurricane Mitch through an innovative partnership among a number of USG agencies and departments that do not traditionally implement foreign disaster assistance activities. Ten other USG agencies implemented activities in Nicaragua, and five established a presence here. The technical expertise offered by each of these USG agencies complemented USAID/Nicaragua's experience and knowledge. Most useful was the highly specialized support provided by NOAA, USDA, USACE, and USGS, with additional contributions for very specific interventions from CDC, EPA, and DOT, among others. The unified effort of the U.S. Government agencies created a dynamic synergy that greatly contributed to the successful implementation of the Mitch Program.

USAID coordination with the other USG agencies required major administrative and logistical support and intense performance monitoring from USAID/Nicaragua in particular, and from the U.S. Embassy as a whole. This involved coordinating the efforts of ten USG agencies, involving more than \$12 million in reconstruction assistance, several in-country coordinators with limited expertise and knowledge of the country, and countless temporary duty staff that needed efficient management and massive logistical support. In record time, these agencies were provided fully equipped offices at an Embassy facility "Casa Grande", excellent logistical support, and comfortable housing and furnishing for their families. Thus the working and living arrangements allowed for highly productive and safe tours in Nicaragua.

Given the short time frame for implementing the Mitch Program, the Mission made an early decision to bundle as many assistance and acquisition actions together as possible and to seek flexible contracting mechanisms. When possible, the Mission used existing instruments with current partners, and Global Bureau field support mechanisms especially in the health area. By including language that anticipated reconstruction activities in an Annual Program Statement (APS) issued in January 1999 for our regular

development program, the Mission was able to shorten the time to compete and award grants and cooperative agreements for economic reactivation activities. Pre-award letters proved to be another useful tool to speed the start-up of implementation.

The Mission expanded activities with NGO and PVO partners already implementing successful development activities and holding good track records for funds accountability and overall management. The Mission also explored many IQC options to obtain highly specialized expertise in a particular field, for example, crop diversification.

To fully comply with the intense monitoring and scrutiny of the Mitch funds mandated by the US Congress, the Mission initiated a rigorous performance monitoring process. As a result of intense field monitoring, most implementation problems were discovered and remedies proposed by the Mission ahead of the auditors and evaluators.

Given the highly positive audit and evaluation reports received during the first year of implementation, the Mission believes that the number of audits performed during the second year could have been reduced and the savings employed in other reconstruction activities. The cost of audits, reviews, assessments and evaluations in Nicaragua was approximately \$17 million, or 18% of the total Mitch program. In numerous cases, audits of Mitch activities were overlapping and duplicative.

Annex C.1 contains USAID/Nicaragua's response to a questionnaire developed by the GAO on the reconstruction programs.

Annex C.2 presents a table of all audits performed.

## **SECTION D. LESSONS LEARNED, INNOVATIONS, BEST PRACTICES**

**1. Program design, geographic coverage and sector focus.** USAID/Nicaragua began working on reconstruction program design within 45 days of the disastrous flooding brought on by Hurricane Mitch and while implementing the emergency phase of our response. The Mission made some fundamental decisions regarding the sectors where it would work and the geographic areas to cover. Though the program design was focussed thus on five sectors and ten departments, at more than \$100 million, it was still required implementation over a wide geographical area with numerous partners. Because the great majority of the program interventions were located in rural areas where other donors were not working, USAID faced many extra challenges. USAID funded health, education, agricultural and micro-enterprise activities, and local government infrastructure projects, all activities for which USAID/Nicaragua had long years of experience. The Mission included water and sanitation, and disaster preparedness and mitigation initiatives in its reconstruction portfolio with the helpful expertise of USAID/Washington and other USG agencies and departments.

**2. Maintaining high quality standards.** While there was tremendous pressure to expend funds rapidly, the Mission committed to maintain high quality standards for all activities. Auditors and evaluators alike give the Reconstruction Program high marks for consistent performance. Achieving results often depended on partners hiring or training

staff to meet the quality demanded by USAID. The other factor which was key in assuring quality was the Mission's practice of making innumerable visits to the field to check firsthand on the work being carried out. The willingness of Mission staff to sacrifice personal comfort to make field trips to very remote and hard to access locations, was a tremendous asset to the program. An average monitoring trip was three days by vehicle on difficult roads, with some trips lasting up to two weeks by car, boat, mule and plane when visiting activities in the indigenous regions around the Rio Coco.

**3. Choosing flexible procurement and assistance instruments.** The Reconstruction Program was designed to be implemented within a very limited timeframe. The Mission made an early decision to use existing procurement and assistance mechanisms with current partners who were experienced with USAID program and accountability requirements. Health sector reconstruction activities were almost entirely implemented through Global Bureau field support mechanisms. In the economic reactivation component, creative use of the Annual Program Statement, IQCs, and pre-award authorities were critical for rapid start-up of projects.

Program implementation often required specialized technical assistance on a daily basis, which was acquired through PASAs with the US Army Corps of Engineers, NOAA, and the USDA. These agencies provided services in such areas as infrastructure reconstruction, watershed management, soil conservation, disease prevention and control, water and sanitation practices, and disaster prevention.

It would have been impossible to carry out all the procurement and assistance actions with the speed needed, if the Mission had not had its own Contracts and Grants Officer onboard. In the later part of implementation and in the closeout phase, the Mission was hampered by having to rely on a Regional Contracts Office in Honduras that was already overburdened with the size of the Mitch Program in that country.

**4. Fast track implementation.** Implementing a massive reconstruction program in a 30-month time frame was a new experience for USAID/Nicaragua and most of its partners. Seen another way, the Mission was required to spend a million dollars a week in the last 12 months of the program. The undertaking required dedication from all participants, extraordinary management efforts, and hundreds of hours of uncompensated time from staff. The Mission understood from the start that the Mitch program was not "business as usual". The decision to establish a special Reconstruction Office was a key factor in the resulting success of the program.

**5. Impact of overlapping audit structure.** The Mitch program received intense scrutiny as mandated by the US Congress, with more than 90 audits and evaluations performed by international auditing firms, DCAA, RIG, and GAO, among others. Because the Mission itself took the lead in identifying implementation problems, the Mission was able to offer solutions to most problems ahead of the auditors and evaluators. During the entire period of the program, the Mission was very open with the auditors and valued their contribution to making sure the program would yield the greatest impact possible.

The intense oversight contributed to assuring good accountability and transparency in the program. Audits, evaluations and quarterly reporting served to reinforce the discipline needed to keep on track. Mission staff established good working relationships with all auditors and evaluators, which significantly contributed to auditing effectiveness. The Mission completed the \$103.6 million Reconstruction program on time and with no open audit recommendations.

The Mission suggests that in future programs, some criteria be applied to review the need for an overlapping audit structure especially if early audits and assessments show programs are running well. The cost of auditing USAID/Nicaragua's Reconstruction Program was approximately \$17 million or 18% of audited funds, which is a rather high investment in relation to the funding for the program. In the second year of implementation, some of the funds dedicated to audits could have been well placed in other reconstruction activities more directly benefiting the families affected by Mitch.

**6. Partner cooperation and coordination.** About 40 partners were involved in the USAID/Nicaragua Reconstruction program with dozens of subcontractors and sub-grantees also engaged in implementation. In addition, USAID/Nicaragua expected all partners to use participatory methodologies to effectively draw communities, municipalities, and Government of Nicaragua entities into active roles in decision-making and commitment to reconstruction activities. As a result, the groups and communities that benefited took ownership of the reconstruction activities.

Early on, Mission management made it clear that this program needed to be implemented with a "hands-on" approach and in close coordination with partners, beneficiaries, and other donors. The Mission thus maintained a very productive relationship with partners using a proactive management approach without complaints of undue interference from the implementing partners. To the contrary, partners, auditors and evaluators cited this as a positive factor in assuring the success of the Reconstruction Program.

**7. Sustainability.** The Mission designed the Reconstruction Program to be implemented in a short period of time, with all activities to be completed no later than December 31, 2001. The emphasis on spending and quick results meant that sustainability was not the highest priority though whenever possible, sustainability was still treated as an important issue. The Mission made a particular effort to raise quality standards on reconstruction activities as a practical way to improve sustainability. A good portion of the Mitch activities, particularly in the agriculture sector, will have some degree of continuity under the continuing programs of the implementing NGO or PVO or follow-on programs under USAID/Nicaragua's regular development program. The Mission and its partners emphasized that beneficiaries needed to take proprietary responsibility for their reconstruction projects. At the end of the Mitch program, the Mission encouraged all partners to formally deliver the completed Mitch projects to beneficiaries and Government of Nicaragua authorities, including a requirement that they commit to maintain the projects.

After a reasonable time period, it would be desirable to follow-up with a post-reconstruction review to assess the sustainability of the program even though the nature of the reconstruction activities may not have emphasized long-term impact.

**8. Close out procedures.** Following USAID regulations on property disposition, all remaining inventories of assets were properly transferred to Mitch partners and other national NGOs, mainly to be used in USAID-funded activities under the Mission's regular development program in Nicaragua.

The Mission also coordinated and approved the disposition of all the property inventories of the other US Government agencies and departments implementing reconstruction activities in Nicaragua. Despite the extra effort that this required from the Mission, it was a good decision to delegate property disposition to the USAID field missions. The Mission knows best where the property could be appropriately employed to further US objectives in Nicaragua.

**9. Formal delivery of the projects to beneficiaries.** When reconstruction activities were completed, USAID requested partners to formally deliver the activities to the communities, municipalities and Government of Nicaragua entities that benefited from the particular activity. Usually a small ceremony was organized at the site and all parties signed a formal document that transferred ownership and responsibility to the recipient group. This served to publicize USAID's role in funding the project as well as making the communities aware that maintenance and the sustainability of the project depended on their commitment in the long term.

Even though this is not a procedure required normally under USAID closeout regulations, it worked well in the Nicaraguan setting and should be considered for other programs.